

CARLISLE COMMUNITY SCHOOL DISTRICT
CARLISLE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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CARLISLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Mark Randleman	President	2004
Lee Evans	Vice President	2005
Penny Shenk	Board Member	2003
Joe Weissenburger	Board Member	2004
Melinda Huisinga	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Mark Randleman	President	2004
Lee Evans	Vice President	2005
Joe Weissenburger	Board Member	(Resigned 11-11-03) 2004
Melinda Huisinga	Board Member	(Resigned 4-13-04) 2004
John Judisch	Board Member	(Appointed 12-9-03) 2004
Eileene Bailey	Board Member	(Appointed 6-8-04) 2004
Ann Polito	Board Member	2006
<u>School Officials</u>		
Dr. Tom Lane	Superintendent	2004
Ethel L. Lee	District Secretary/Treasurer	2004
Sue Seitz	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Carlisle Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Carlisle Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Carlisle Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2004, Carlisle Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated August 11, 2004 on our consideration of Carlisle Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 16 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carlisle Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 11, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Carlisle Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

Financial Highlights

- General Fund revenues increased from \$8,406,806 in fiscal 2003 to \$8,965,717 in fiscal 2004, while General Fund expenditures increased from \$8,201,259 in fiscal 2003 to \$8,969,325 in fiscal 2004. The General Fund also transferred \$306,000 to the Special Revenue Fund, Physical Plant and Equipment Levy, for a land purchase. These changes resulted in a decrease in the District's General Fund balance from \$2,618,537 in fiscal 2003 to \$2,308,929 in fiscal 2004, a 12% percent decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in enrollment in fiscal 2004 and an increase in property taxes levied. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits expenditures.
- Interest rates declined precipitously during the past three fiscal years. From an average investment rate of 3.13% in fiscal year 2002 to an average of 2% in fiscal year 2003 and an average of 1.5% in fiscal year 2004 causing interest earnings in the General Fund alone to drop from \$117,601 in fiscal year 2002 to \$67,128 in fiscal year 2003 and \$47,045 in fiscal year 2004.
- During the year ended June 30, 2004, the State of Iowa imposed a 2.5% reduction in State Foundation aid, which reduced the General Fund revenues by \$125,030. Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and program. The District responded to the reduction by using a portion of the District's unreserved, undesignated fund balance. A portion of this reduction was restored 6/30/04.
- Due to the new housing developments around the Easter Lake area, our Polk Co. student population increased by 52 students. This will impact our Polk Co. Local Option Sales Tax receipts for next fiscal year.
- A special election was held on January 13, 2004 asking Warren County residents to pass a Local Option Sales Tax. Income from this tax will not be start until July 1, 2004 and will be collected for a 10-year period.
- Due to our increased enrollment needs, an early childhood facility project has begun. Revenue Bonds were sold in July to pay for this facility along with improvements to the football stadium and high school gymnasium. Money collected from the Warren and Polk County Local Option Sales Tax will be used for re-payment of these bonds.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements. Fund statements include the following:

The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.

The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

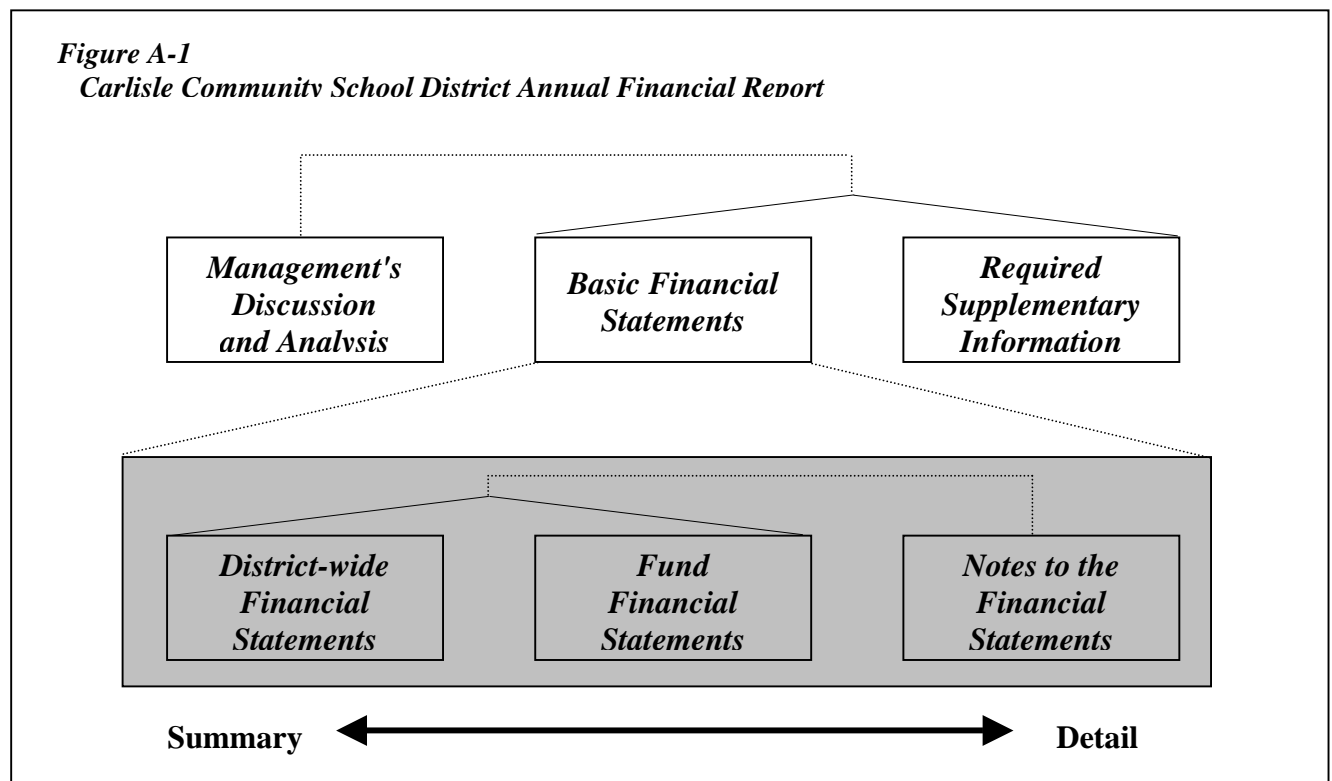


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and building and trades student built housing activities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Building and Trades Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities	Business-type Activities	Total School District
	2004	2004	2004
Current and other assets	6,798,226	136,535	6,934,761
Capital assets	5,709,326	30,559	5,739,885
Total assets	12,507,552	167,094	12,674,646
Long-term obligations	2,015,523		2,015,523
Other liabilities	4,037,574	22,792	4,060,366
Total liabilities	6,053,097	22,792	6,075,889
Net assets:			
Invested in capital assets, Net of related debt	4,619,326	30,559	4,649,885
Restricted	132,970		132,970
Unrestricted	1,702,159	113,743	1,815,902
Total net assets	6,454,455	144,302	6,598,757

The District's combined net assets were \$6,598,757 at June 30, 2004.

A decrease in unrestricted net assets was primarily due to the District using a portion of the carryover fund balance to loan to the PPEL Fund for a land purchase.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2004. The District's improved financial position is the product of many factors. Growth due to revenue increase from increased enrollment is one of the main reasons.

Property and other taxes and unrestricted state grants account for 84 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 98 percent of the total expenses.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business-type Activities	Total School District
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for service and sales	714,022	703,911	1,417,933
Operating grants, contributions and restricted interest	913,922	148,661	1,062,583
Capital grants, contributions and restricted interest	-	-	-
General revenues:			-
Property and other taxes	3,471,314		3,471,314
Unrestricted state grants	5,323,114		5,323,114
Unrestricted investment earnings	46,335	865	47,200
Other	34,988		34,988
Total revenues	10,503,695	853,437	11,357,132
Program expenses:			
Governmental activities:			
Instruction	6,447,687		6,447,687
Support services	2,875,385		2,875,385
Non-instructional programs		875,605	875,605
Other expenses	841,792		841,792
Total expenses	10,164,864	875,605	11,040,469
Change in net assets	338,831	(22,168)	316,663

Governmental Activities

Revenues for governmental activities were \$10,503,695 and expenses were \$10,164,864.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

**Figure A-5
Total and Net Cost of Governmental
Activities**

	Total Cost of Services	Net Cost of Services
Instruction	6,447,687	5,229,543
Support services	2,875,385	2,853,147
Other expenses	841,792	454,230
Totals	10,164,864	8,536,920

- The cost financed by users of the District's programs was \$714,022.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$913,922.
- The remaining cost of governmental activities was financed with \$3,471,314 in property and other taxes, \$5,323,114 in state foundation aid, \$46,335 in interest income and \$34,988 in miscellaneous revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$853,437 and expenses were \$875,605. The District's business-type activities include the School Nutrition and Building and Trades Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements, the sale of a house, and investment income. All expenses in the District's business-type activities are recorded as non-instructional programs.

Financial Analysis of the District's Funds

As previously noted, the Carlisle Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,782,190.

Governmental Fund Highlights

- The District's financial position remains in good condition despite the 2.5% across the board cut mid year and the 4.3% reduction during the 2001-2002 year. The school board has emphasized they wish to maintain at least a 3 month reserve as a back up in case of future cuts.

- The General Fund balance decreased from \$2,618,537 to \$2,308,929, is due in part to the negotiated salary and benefits settlement, the reductions in state aid and existing expenditure commitments of the District and also due to the loan to the PPEL Fund of \$306,000 for the land purchase.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$34,089 in fiscal 2003 to \$183,820 in fiscal 2004. Revenues in this fund have increased due to a \$1 PPEL levy that was passed on 10-09-2001. The special PPEL levy is in effect for five years. The major reason for the levy was to generate matching funds for a Vision Iowa Grant that was granted to the school in FY2002. Money received from this special levy is transferred yearly to the Capital Projects Fund until the deficit is depleted.
- The Capital Projects Fund is comprised of several projects. The Vision Iowa Grant project that had been started in 2002 for the Elementary Addition, Local Option Sales Tax that has been received since July 2000, renovations to the Football Stadium, remodeling of the High School Gym and preliminary work for a new Early Childhood facility. The fund balance at the end of FY04 was \$ (298,566).

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$95,597 at June 30, 2003 to \$ 51,022 at June 30, 2004. This is due to the purchase of new lunch tables, equipment for the department and increased costs.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue that was received along with expenditures for the land purchase and expenses associated with the capital project activity. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$453,000 more than the total budgeted receipts, a variance of 4.2 %.

Total expenditures were less than budgeted by approximately \$590,000, a variance of 5%. The District manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The District did not exceed the budgeted amounts in any of the four functional areas during the year ended June 30, 2004.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004, the District had invested \$5,739,885, net of accumulated depreciation of \$3,750,597, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year totaled \$256,916.

The original cost of the District's capital assets was \$9,490,482. Governmental funds account for \$9,290,403 with the remainder of \$200,079 in the Enterprise, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress and buildings categories due to the District's closing \$1,457,416 of construction in progress to buildings at June 30, 2004 for the addition to the elementary building and upgrade of the High School science labs.

Figure A-6 Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities
	2004	2004
Land	831,177	831,177
Construction in progress	135,587	135,587
Buildings	4,461,210	4,461,210
Improvements other than buildings	-	-
Furniture and equipment	281,352	30,559
Totals	5,709,326	30,559
		5,739,885

Long-Term Debt

At June 30, 2004, the District had \$1,090,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 27 percent from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

In December 2002, the Board of Directors refinanced the outstanding general obligation bond in order to take advantage of desirable interest rates. This refinancing resulted in reducing the length of bond payments by two years and saving over \$146,000 in interest.

In addition, the District had \$145,713 payable from the PPEL Fund to the Capital Projects Fund for the remaining matching Vision Iowa project at June 30, 2004.

Figure A-7
Outstanding Long-Term
Obligations

	Total School District		Total Change
	2004	2003	2003- 2004
Real estate contract	153,000		N/A
General obligation bonds	1,090,000	1,500,000	-0.27333
Revenue bonds	-	-	
Early retirement	759,568	555,677	0.36692
Compensated absences	12,955	6,616	.95813
Totals	2,015,523	2,062,293	-0.02268

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Warren County recently passed the Local Option Sales Tax beginning 7-01-04. This increase in revenue will fund the new revenue bond issue that was approved in FY04 and sold in FY05.
- The District expects to continue experiencing increased enrollment due to new housing developments in progress within the district.
- The District has evaluated the condition of its transportation vehicles and determined that, a used bus would be added to our fleet in FY05 instead of purchasing a new bus.
- Increases in insurance costs always play a big factor in negotiating with the Carlisle Community Education Association (CCEA). Insurance packages will be reviewed again during FY05.
- Due to the new housing developments around the Easter Lake area, our Polk Co. student population increased by 52 students. This will also impact our Polk Co. Local Option Sales Tax receipts for next fiscal year.
- A special election was held on January 13, 2004 asking Warren County residents to pass a Local Option Sales Tax. Income from this tax will not start until July 1, 2004 and will be collected for a 10-year period.
- Due to our increased enrollment needs, an early childhood facility project has begun. Revenue Bonds were sold in July to pay for this facility along with improvements to the football stadium and high school gymnasium. Money collected from the Warren and Polk County Local Option Sales Tax will be used for re-payment of these bonds.
- The remaining matching funds for the Vision Iowa Grant will be received during FY05 and will be transferred to the Capital Projects Fund by the end of FY05.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ethel L. Lee, District Secretary/Treasurer and Business Manager, Carlisle Community School District, 430 School Street, Carlisle, Iowa, 50047.

Basic Financial Statements

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,650,510	\$ 123,517	\$ 3,774,027
Receivables:			
Property tax:			
Current year	44,538	-	44,538
Succeeding year	2,942,000	-	2,942,000
Accrued interest	14,156	457	14,613
Accounts	3,511	-	3,511
Due from other governments	143,511	-	143,511
Inventories	-	12,561	12,561
Capital assets, net of accumulated depreciation (note 5)	5,709,326	30,559	5,739,885
Total assets	12,507,552	167,094	12,674,646
Liabilities			
Accounts payable	211,790	1,940	213,730
Salaries and benefits payable	848,696	20,852	869,548
Accrued interest payable	4,088	-	4,088
Bond deposit	31,000	-	31,000
Deferred revenue:			
Succeeding year property tax	2,942,000	-	2,942,000
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	415,000	-	415,000
Real estate contract	153,000	-	153,000
Early retirement	122,178	-	122,178
Compensated absences	12,955	-	12,955
Portion due after one year:			
Bonds payable	675,000	-	675,000
Early retirement	637,390	-	637,390
Total liabilities	6,053,097	22,792	6,075,889

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 4,619,326	\$ 30,559	\$ 4,649,885
Restricted for:			
Physical plant and equipment levy	30,820	-	30,820
Other special revenue purposes	65,745	-	65,745
Debt service	36,405	-	36,405
Unrestricted	<u>1,702,159</u>	<u>113,743</u>	<u>1,815,902</u>
Total net assets	<u>\$ 6,454,455</u>	<u>\$ 144,302</u>	<u>\$ 6,598,757</u>

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 4,212,734	\$ 302,429	\$ 455,378
Special instruction	1,524,596	84,763	59,458
Other instruction	710,357	313,031	3,085
	<u>6,447,687</u>	<u>700,223</u>	<u>517,921</u>
Support services:			
Student services	363,891	-	7,448
Instructional staff services	411,663	1,599	8,100
Administration services	1,003,594	-	-
Operation and maintenance of plant services	781,892	4,202	-
Transportation services	314,345	889	-
	<u>2,875,385</u>	<u>6,690</u>	<u>15,548</u>
Other expenditures:			
Facilities acquisition	260,016	7,109	-
Long-term debt interest and fiscal charges	29,114	-	-
AEA flowthrough	380,453	-	380,453
Depreciation (unallocated) *	172,209	-	-
	<u>841,792</u>	<u>7,109</u>	<u>380,453</u>
Total governmental activities	10,164,864	714,022	913,922
Business-Type Activities:			
Non-instructional programs:			
Food service operations	477,277	283,606	148,661
Other programs	398,328	420,305	-
Total business-type activities	<u>875,605</u>	<u>703,911</u>	<u>148,661</u>
Total	\$ 11,040,469	\$ 1,417,933	\$ 1,062,583

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,454,927)	\$ -	\$ (3,454,927)
(1,380,375)	-	(1,380,375)
(394,241)	-	(394,241)
(5,229,543)	-	(5,229,543)
(356,443)	-	(356,443)
(401,964)	-	(401,964)
(1,003,594)	-	(1,003,594)
(777,690)	-	(777,690)
(313,456)	-	(313,456)
(2,853,147)	-	(2,853,147)
(252,907)	-	(252,907)
(29,114)	-	(29,114)
-	-	-
(172,209)	-	(172,209)
(454,230)	-	(454,230)
(8,536,920)	-	(8,536,920)
-	(45,010)	(45,010)
-	21,977	21,977
-	(23,033)	(23,033)
(8,536,920)	(23,033)	(8,559,953)

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Other local taxes

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 13)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 2,510,049	\$ -	\$ 2,510,049
439,076	-	439,076
224,145	-	224,145
281,115	-	281,115
16,929	-	16,929
5,323,114	-	5,323,114
46,335	865	47,200
34,988	-	34,988
8,875,751	865	8,876,616
338,831	(22,168)	316,663
6,115,624	166,470	6,282,094
\$ <u>6,454,455</u>	\$ <u>144,302</u>	\$ <u>6,598,757</u>

CARLISLE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 2,569,397	\$ 489,298	\$ 578,265	\$ 3,636,960
Receivables:				
Property tax:				
Current year	31,615	3,137	9,786	44,538
Succeeding year	2,152,000	214,000	576,000	2,942,000
Accrued interest	11,328	678	2,150	14,156
Interfund receivable (note 3)	481,061	-	-	481,061
Accounts	3,511	-	-	3,511
Due from other governments	99,217	-	44,294	143,511
	<u>\$ 5,348,129</u>	<u>707,113</u>	<u>\$ 1,210,495</u>	<u>\$ 7,265,737</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 39,365	\$ 3,293	\$ 169,132	\$ 211,790
Salaries and benefits payable	847,835	-	861	848,696
Interfund payable (note 3)	-	306,000	175,061	481,061
Deferred revenue:				
Succeeding year property tax	2,152,000	214,000	576,000	2,942,000
Total liabilities	<u>3,039,200</u>	<u>523,293</u>	<u>921,054</u>	<u>4,483,547</u>
Fund balance:				
Reserved for:				
State grants	98,415	-	-	98,415
Debt service	-	-	40,493	40,493
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	547,514	547,514
Undesignated	2,210,514	183,820	(298,566)	2,095,768
Total fund balances	<u>2,308,929</u>	<u>183,820</u>	<u>289,441</u>	<u>2,782,190</u>
Total liabilities and fund balances	<u>\$ 5,348,129</u>	<u>\$ 707,113</u>	<u>\$ 1,210,495</u>	<u>\$ 7,265,737</u>

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$ 2,782,190
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,709,326
The good faith deposit on bonds to be subsequently issued is not available to pay for current period expenditures and, therefore, is recorded as a liability.	(31,000)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,088)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,015,523)
The balance of the Internal Service Fund is considered to be an overcharge to the governmental activities and is therefore incorporated back into the overall net assets	<u>13,550</u>
Net assets of governmental activities	<u><u>\$ 6,454,455</u></u>

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,261,192	\$ 224,637	\$ 982,671	\$ 3,468,500
Tuition	275,641	-	-	275,641
Other	159,510	851	329,003	489,364
State sources	6,087,597	198	618	6,088,413
Federal sources	181,777	-	-	181,777
Total revenues	8,965,717	225,686	1,312,292	10,503,695
Expenditures:				
Current:				
Instruction:				
Regular instruction	3,900,311	-	148,442	4,048,753
Special instruction	1,524,596	-	-	1,524,596
Other instruction	422,164	-	288,193	710,357
	5,847,071	-	436,635	6,283,706
Support services:				
Student services	361,748	-	-	361,748
Instructional staff services	411,663	-	-	411,663
Administration services	954,351	-	-	954,351
Operation and maintenance of plant services	689,591	-	95,011	784,602
Transportation services	324,448	34,250	392	359,090
	2,741,801	34,250	95,403	2,871,454
Other expenditures:				
Facilities acquisition	-	331,705	407,615	739,320
Long term debt:				
Principal	-	-	410,000	410,000
Interest and fiscal charges	-	-	30,309	30,309
AEA flowthrough	380,453	-	-	380,453
	380,453	331,705	847,924	1,560,082
Total expenditures	8,969,325	365,955	1,379,962	10,715,242
Deficiency of revenues under expenditures	(3,608)	(140,269)	(67,670)	(211,547)

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Good faith deposit proceeds	\$ -	\$ -	\$ 31,000	\$ 31,000
Real estate contract proceeds	-	153,000	-	153,000
Interfund transfers in	-	306,000	169,000	475,000
Interfund transfers out	(306,000)	(169,000)	-	(475,000)
Total other financing sources (uses)	(306,000)	290,000	200,000	184,000
Net change in fund balances	(309,608)	149,731	132,330	(27,547)
Fund balances beginning of year	2,618,537	34,089	157,111	2,809,737
Fund balances end of year	\$ 2,308,929	\$ 183,820	\$ 289,441	\$ 2,782,190

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$ (27,547)
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Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in
governmental funds as expenditures. However, those costs are reported
in the statement of net assets and are allocated over their estimated useful
lives as depreciation expense in the statement of activities. The amounts
of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 597,067	
Depreciation expense	<u>(249,661)</u>	347,406

Net income in the Internal Service Fund represents an overcharge to the governmental funds. The expenses in the statement of activities are adjusted to reflect this amount.	2,007
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets.	410,000
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	1,195
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(210,230)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities.	<u>(184,000)</u>
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Change in net assets of governmental activities	<u><u>\$ 338,831</u></u>
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See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2004

	Enterprise Funds			Internal
	School	Non-Major		Service
	Nutrition	Enterprise	Total	Fund
Assets				
Cash and cash equivalents	\$ 30,435	\$ 93,082	\$ 123,517	\$ 13,550
Receivables:				
Accrued interest	113	344	457	-
Inventories	12,561	-	12,561	-
Capital assets, net of accumulated depreciation	30,559	-	30,559	-
Total assets	<u>73,668</u>	<u>93,426</u>	<u>167,094</u>	<u>13,550</u>
Liabilities				
Accounts payable	1,794	146	1,940	-
Salaries and benefits payable	20,852	-	20,852	-
Total liabilities	<u>22,646</u>	<u>146</u>	<u>22,792</u>	<u>-</u>
Net Assets				
Invested in capital assets, net of related debt	30,559	-	30,559	-
Unrestricted	<u>20,463</u>	<u>93,280</u>	<u>113,743</u>	<u>13,550</u>
Total net assets	<u>\$ 51,022</u>	<u>\$ 93,280</u>	<u>\$ 144,302</u>	<u>\$ 13,550</u>

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2004

	Enterprise Funds			Internal
	School	Non-Major		Service
	Nutrition	Enterprise	Total	Fund
Operating revenues:				
Local sources:				
Charges for services	\$ 283,606	\$ 420,305	\$ 703,911	\$ 18,160
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	167,184	-	167,184	-
Benefits	64,003	-	64,003	16,153
Purchased services	8,583	12,539	21,122	-
Supplies	230,252	383,404	613,656	-
Depreciation	7,255	-	7,255	-
Other	-	2,385	2,385	-
	477,277	398,328	875,605	16,153
Operating income (loss)	(193,671)	21,977	(171,694)	2,007
Non-operating revenues:				
Interest on investments	435	430	865	-
State sources	6,692	-	6,692	-
Federal sources	141,969	-	141,969	-
Total non-operating revenues	149,096	430	149,526	-
Change in net assets	(44,575)	22,407	(22,168)	2,007
Net assets beginning of year	95,597	70,873	166,470	11,543
Net assets end of year	\$ 51,022	\$ 93,280	\$ 144,302	\$ 13,550

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Funds			Internal Service Fund
	School Nutrition	Non-Major Enterprise	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 258,500	\$ -	\$ 258,500	\$ -
Cash received from miscellaneous operating activities	25,106	420,305	445,411	18,160
Cash payments to employees for services	(232,455)	-	(232,455)	(16,153)
Cash payments to suppliers for goods or services	(206,476)	(232,497)	(438,973)	-
Net cash provided by (used in) operating activities	(155,325)	187,808	32,483	2,007
Cash flows from non-capital financing activities:				
State grants received	6,692	-	6,692	-
Federal grants received	113,755	-	113,755	-
Decrease in due to other funds	-	(94,866)	(94,866)	-
Net cash provided by (used in) non-capital financing activities	120,447	(94,866)	25,581	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,717)	-	(4,717)	-
Cash flows from investing activities:				
Interest on investments	678	140	818	-
Net increase (decrease) in cash and cash equivalents	(38,917)	93,082	54,165	2,007
Cash and cash equivalents beginning of year	69,352	-	69,352	11,543
Cash and cash equivalents end of year	\$ 30,435	\$ 93,082	\$ 123,517	\$ 13,550

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Funds			Internal
	School	Non-Major		Service
	Nutrition	Enterprise	Total	Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (193,671)	\$ 21,977	\$ (171,694)	\$ 2,007
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	7,255	-	7,255	-
Commodities used	28,214	-	28,214	-
Decrease in inventories	2,426	172,201	174,627	-
Increase (decrease) in accounts payable	1,719	(6,370)	(4,651)	-
(Decrease) in salaries and benefits payable	(1,268)	-	(1,268)	-
Net cash provided by (used in) operating activities	\$ <u>(155,325)</u>	\$ <u>187,808</u>	\$ <u>32,483</u>	\$ <u>2,007</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$28,214 of federal commodities.

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2004

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 21,542	\$ 263
Accrued interest receivable	80	-
	<u>21,622</u>	<u>263</u>
Total assets		
Liabilities		
Liabilities:		
Mid-Iowa Consortium payable	-	\$ 263
Net assets:		
Reserved for scholarships	\$ <u>21,622</u>	

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2004

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>277</u>
Deductions:	
None	<u>-</u>
Change in net assets	277
Net assets beginning of year	<u>21,345</u>
Net assets end of year	\$ <u><u>21,622</u></u>

See notes to financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Carlisle Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Carlisle, Iowa, and agricultural territory in Polk and Warren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Carlisle Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Carlisle Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Warren County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building repairs and maintenance and for certain types of equipment.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the four functional areas.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 175,061
General	Special Revenue: Physical Plant and Equipment Levy	<u>306,000</u>
		<u>\$ 481,061</u>

The Physical Plant and Equipment Levy Fund is repaying the General Fund for a short-term loan. The amount due the General Fund from Capital Projects is a result of pooled cash balances.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Physical Plant and Equipment Levy	General	\$ 306,000
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	<u>169,000</u>
Total		<u>\$ 475,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 522,027	\$ 309,150	\$ -	\$ 831,177
Construction in progress	1,422,849	170,154	1,457,416	135,587
Total capital assets not being depreciated	<u>1,944,876</u>	<u>479,304</u>	<u>1,457,416</u>	<u>966,764</u>
Capital assets being depreciated:				
Buildings	5,665,924	1,457,416	-	7,123,340
Furniture and equipment	* 1,123,701	117,763	41,165	1,200,299
Total capital assets being depreciated	<u>6,789,625</u>	<u>1,575,179</u>	<u>41,165</u>	<u>8,323,639</u>
Less accumulated depreciation for:				
Buildings	2,489,921	172,209	-	2,662,130
Furniture and equipment	882,660	77,452	41,165	918,947
Total accumulated depreciation	<u>3,372,581</u>	<u>249,661</u>	<u>41,165</u>	<u>3,581,077</u>
Total capital assets being depreciated, net	<u>3,417,044</u>	<u>1,325,518</u>	<u>-</u>	<u>4,742,562</u>
Governmental activities capital assets, net	<u>\$ 5,361,920</u>	<u>\$ 1,804,822</u>	<u>\$ 1,457,416</u>	<u>\$ 5,709,326</u>

* The beginning balance of equipment has been restated to exclude items totaling \$168,376 which are individually less than the District's capitalization level of \$1,500.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 195,362	\$ 4,717	\$ -	\$ 200,079
Less accumulated depreciation	162,265	7,255	-	169,520
Business-type activities capital assets, net	<u>\$ 33,097</u>	<u>\$ (2,538)</u>	<u>\$ -</u>	<u>\$ 30,559</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 16,260

Support services:

Student services

2,143

Administration

2,126

Operation and maintenance of plant services

8,568

Transportation

48,355

77,452

Unallocated depreciation

172,209

Total governmental activities depreciation expense

\$ 249,661

Business-type activities:

Food service operations

\$ 7,255

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Real Estate Contract	Early Retirement	Compensated Absences	Total
Balance beginning of year	\$ 1,500,000	\$ -	\$ 555,677	\$ 6,616	\$ 2,062,293
Additions	-	153,000	288,617	12,955	454,572
Reductions	<u>410,000</u>	<u>-</u>	<u>84,726</u>	<u>6,616</u>	<u>501,342</u>
Balance end of year	<u>\$ 1,090,000</u>	<u>\$ 153,000</u>	<u>\$ 759,568</u>	<u>\$ 12,955</u>	<u>\$ 2,015,523</u>
Due within one year	<u>\$ 415,000</u>	<u>\$ 153,000</u>	<u>\$ 122,178</u>	<u>\$ 12,955</u>	<u>\$ 703,133</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and administrative employees. Eligible employees must in good standing with the District and at least age fifty-five. Certified employees must have completed fifteen years of service in the education field, with the last ten years in continuous service to the District. Administrative employees must have completed fifteen years of service in the education field, with the last six in continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The application must be submitted on or before January 5 of the calendar year the employee wishes to retire. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Employees may also continue participation in the District health insurance plan until age 65 or eligible for Medicare with the District paying the premium at the single policy rate for certified employees, at a rate not to exceed the premium amount paid at the date of early retirement; and at family policy rates for administrative employees, with no cap on the premium paid. Early retirement benefits paid during the year ended June 30, 2004, totaled \$84,726. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of November 1, 2002		
	Principal	Interest	Total
2005	\$ 415,000	\$ 22,526	\$ 437,526
2006	425,000	13,703	438,703
2007	<u>250,000</u>	<u>3,063</u>	<u>253,063</u>
	<u>\$ 1,090,000</u>	<u>\$ 39,292</u>	<u>\$ 1,129,292</u>

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities (continued)

Real Estate Contract

During the year ended June 30, 2004, the District entered into an interest free agreement to purchase land at a cost of \$306,000. The District paid \$153,000 at the time of closing, with the balance due in three months. Details of the District's real estate contract are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>
2005	\$ <u>153,000</u>

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$319,211, \$302,687, and \$289,687 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Carlisle Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$380,453 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 10. Construction Commitments

The District entered into contracts totaling \$735,445 for various projects. In addition, the District had carryover projects totaling \$3,749 from the prior year. At June 30, 2004, \$3,749 of the contracts were completed and paid, \$81,830 was recorded in accounts payable, and the remaining amounts of the contracts will be paid as work on the projects progresses.

Note 11. Subsequent Event

On July 7, 2004, the District issued \$3,100,000 of School Infrastructure Sales and Services Tax Revenue Bonds. The Bonds are payable over ten years solely from the District's Local Option Sales and Services Tax revenues. Interest rates on the bonds range from 2.0% to 4.2%.

Note 12. Financial Condition

The Capital Projects Fund had a deficit balance of \$298,566 at June 30, 2004. In addition, the Special Revenue Fund, Student Activity Fund had several deficit balances in individual activity accounts at June 30, 2004.

Note 13. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District's programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 14. Accounting Change (continued)

	Fund			
	Special Revenue, Physical Plant and Equipment			
	General	Levy	Nonmajor	Total
Net assets, June 30, 2003, as previously reported	\$ 2,618,537	\$ 34,089	\$ 157,111	\$ 2,809,737
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$3,372,581				5,361,920
Long-term liabilities:				
Bonds and notes			1,500,000	
Early retirement			555,677	
Compensated absences			6,616	(2,062,293)
Accrued interest payable				(5,283)
Internal Service Fund				11,543
Net assets, July 1, 2003, as restated				\$ 6,115,624

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Required Supplementary Information

CARLISLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 4,144,502	\$ 704,729	\$ 4,849,231	\$ 4,302,361	\$ 4,302,361	\$ 546,870
State sources	6,070,479	6,692	6,077,171	6,410,678	6,410,678	(333,507)
Federal sources	196,069	141,969	338,038	98,000	98,000	240,038
Total receipts	10,411,050	853,390	11,264,440	10,811,039	10,811,039	453,401
DISBURSEMENTS:						
Instruction	6,327,662	-	6,327,662	5,922,037	6,463,111	135,449
Support services	2,814,895	-	2,814,895	2,998,555	2,888,555	73,660
Non-instructional programs	-	704,359	704,359	644,000	749,000	44,641
Other expenditures	1,397,086	-	1,397,086	1,230,097	1,733,097	336,011
Total disbursements	10,539,643	704,359	11,244,002	10,794,689	11,833,763	589,761
Excess (deficiency) of receipts over (under) disbursements	(128,593)	149,031	20,438	16,350	(1,022,724)	1,043,162
Other financing sources, net	184,000	-	184,000	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	55,407	149,031	204,438	16,350	(1,022,724)	1,043,162
Balance beginning of year	3,581,553	(25,514)	3,556,039	3,439,878	3,439,878	116,161
Balance end of year	\$ 3,636,960	\$ 123,517	\$ 3,760,477	\$ 3,456,228	\$ 2,417,154	\$ 1,159,323

See accompanying independent auditor's report.

CARLISLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,411,050	\$ 92,645	\$ 10,503,695
Expenditures	10,539,643	175,599	10,715,242
Net	(128,593)	(82,954)	(211,547)
Other financing sources (uses)	184,000	-	184,000
Beginning fund balances	3,581,553	(771,816)	2,809,737
Ending fund balances	\$ <u>3,636,960</u>	\$ <u>(854,770)</u>	\$ <u>2,782,190</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 853,390	\$ 47	\$ 853,437
Expenses	704,359	171,246	875,605
Net	149,031	(171,199)	(22,168)
Beginning net assets	(25,514)	191,984	166,470
Ending net assets	\$ <u>123,517</u>	\$ <u>20,785</u>	\$ <u>144,302</u>

See accompanying independent auditor's report.

CARLISLE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,039,074.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the four functional areas.

Other Supplementary Information

CARLISLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue				
	Management Levy	Student Activity	Debt Service	Capital Projects	Total
Assets					
Cash and pooled investments	\$ 476,366	\$ 67,678	\$ 34,221	\$ -	\$ 578,265
Receivables:					
Property tax:					
Current year	3,641	-	6,145	-	9,786
Succeeding year	226,000	-	350,000	-	576,000
Accrued interest	1,762	250	127	11	2,150
Due from other governments	-	-	-	44,294	44,294
Total assets	\$ <u>707,769</u>	\$ <u>67,928</u>	\$ <u>390,493</u>	\$ <u>44,305</u>	\$ <u>1,210,495</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 1,322	\$ -	\$ 167,810	\$ 169,132
Salaries and benefits payable	-	861	-	-	861
Interfund payable	-	-	-	175,061	175,061
Deferred revenue:					
Succeeding year property tax	226,000	-	350,000	-	576,000
Total liabilities	<u>226,000</u>	<u>2,183</u>	<u>350,000</u>	<u>342,871</u>	<u>921,054</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	40,493	-	40,493
Unreserved:					
Undesignated	481,769	65,745	-	(298,566)	248,948
Total fund equity	<u>481,769</u>	<u>65,745</u>	<u>40,493</u>	<u>(298,566)</u>	<u>289,441</u>
Total liabilities and fund equity	\$ <u>707,769</u>	\$ <u>67,928</u>	\$ <u>390,493</u>	\$ <u>44,305</u>	\$ <u>1,210,495</u>

See accompanying independent auditor's report.

CARLISLE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Special Revenue				
	Management	Student	Debt	Capital	
	Levy	Activity	Service	Projects	Total
Revenues:					
Local sources:					
Local tax	\$ 260,458	\$ -	\$ 441,098	\$ 281,115	\$ 982,671
Other	8,941	312,723	595	6,744	329,003
State sources	230	-	388	-	618
Total revenues	269,629	312,723	442,081	287,859	1,312,292
Expenditures:					
Current:					
Instruction:					
Regular instruction	148,442	-	-	-	148,442
Other instruction	-	288,193	-	-	288,193
Support services:					
Operation and maintenance of plant services	95,011	-	-	-	95,011
Transportation services	392	-	-	-	392
Other expenditures:					
Facilities acquisition	-	-	-	407,615	407,615
Long term debt:					
Principal	-	-	410,000	-	410,000
Interest and fiscal charges	-	-	30,309	-	30,309
Total expenditures	243,845	288,193	440,309	407,615	1,379,962
Excess (deficiency) of revenues over (under) expenditures	25,784	24,530	1,772	(119,756)	(67,670)
Other financing sources:					
Good faith deposit proceeds	-	-	-	31,000	31,000
Interfund transfers in	-	-	-	169,000	169,000
Total other financing sources (uses)	-	-	-	200,000	200,000

CARLISLE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	<u>Special Revenue</u>					
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	<u>Capital</u>		
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	<u>Projects</u>	<u>Total</u>	
Excess of revenues and other financing sources over expenditures	\$ 25,784	\$ 24,530	\$ 1,772	\$ 80,244	\$	132,330
Fund balances beginning of year	455,985	41,215	38,721	(378,810)		157,111
Fund balances end of year	\$ <u>481,769</u>	\$ <u>65,745</u>	\$ <u>40,493</u>	\$ <u>(298,566)</u>	\$	<u>289,441</u>

See accompanying independent auditor's report.

CARLISLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Life Touch	\$ 4,030	\$ 1,807	\$ 2,578	\$ 3,259
Landscaping Project	4,929	860	4,336	1,453
FCCLA	684	5,214	4,753	1,145
Spanish	1,069	-	-	1,069
Marketing Club	-	6,997	5,344	1,653
High School Student Council	3,740	6,034	5,520	4,254
K-6 Book Club	6,041	14,426	13,687	6,780
7-12 Book Club	16	415	416	15
High School Annual	1,740	11,909	11,072	2,577
Color Guard	-	878	878	-
Cheerleading	2,043	18,387	21,016	(586)
Junior High Student Council	3,774	9,487	9,679	3,582
Junior High Yearbook	99	2,434	2,392	141
Elementary Yearbook	2,004	3,413	3,555	1,862
Hartford Store	591	-	-	591
DARE	446	-	446	-
Academic Enrichment	6,053	2,615	5,204	3,464
SADD	542	112	-	654
Elementary Enrichment	2,742	1,976	3,076	1,642
Middle School Enrichment	(1,068)	6,960	1,751	4,141
Class of '03	(10)	-	(10)	-
Class of '04	-	702	659	43
Class of '05	1,000	3,317	4,908	(591)
Class of '06	1,000	-	1,250	(250)
Class of '07	1,191	-	-	1,191
Class of '08	191	-	-	191
Interest	997	873	1,453	417
Act Tickets	505	314	819	-
5-6 Band Concessions	(6)	2,286	1,102	1,178
High School Concessions	187	-	-	187
Drama	-	1,507	1,507	-
High School Chorus	320	1,535	256	1,599
Musical Productions	-	1,632	828	804
7-12 Band	-	33,023	33,312	(289)
Jazz Band	78	250	328	-
All Athletics	(3,512)	15,974	11,628	834
Basketball - Girls	3,388	26,624	25,331	4,681
Basketball - Boys	1,922	16,763	13,292	5,393
Soccer - Girls	(1,107)	2,147	821	219

CARLISLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Soccer - Boys	\$ -	\$ 1,771	\$ 1,327	\$ 444
Track - Girls	(1,174)	7,194	6,020	-
Track - Boys	-	5,895	4,615	1,280
Cross Country	-	421	321	100
Golf	(1,059)	3,123	2,064	-
Weightlifting	99	40	27	112
Football	1,699	29,942	24,004	7,637
Baseball	(3,941)	14,116	17,727	(7,552)
Wrestling	184	15,145	10,367	4,962
Volleyball	(1,408)	7,730	4,486	1,836
Softball	(3,715)	20,582	18,379	(1,512)
Y-Camp	3,811	5,276	5,052	4,035
Recycling/Landscaping	1,100	617	617	1,100
Total	\$ 41,215	\$ 312,723	\$ 288,193	\$ 65,745

See accompanying independent auditor's report.

CARLISLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 63,557	\$ 330,063	\$ 393,357	\$ 263
Due from other governments	112,643	-	112,643	-
Total assets	<u>\$ 176,200</u>	<u>\$ 330,063</u>	<u>\$ 506,000</u>	<u>\$ 263</u>
Liabilities				
Mid-Iowa School Improvement Consortium Payable	<u>\$ 176,200</u>	<u>\$ 330,063</u>	<u>\$ 506,000</u>	<u>\$ 263</u>

See accompanying independent auditor's report.

CARLISLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 3,468,500	\$ 3,160,824	\$ 2,834,510	\$ 2,653,132
Tuition	275,641	283,627	256,989	231,294
Other	489,364	456,099	601,754	645,227
Intermediate sources	-	5,085	12,648	25,310
State sources	6,088,413	5,655,115	6,402,645	5,467,863
Federal sources	181,777	150,874	132,032	193,502
Total revenues	<u>\$ 10,503,695</u>	<u>\$ 9,711,624</u>	<u>\$ 10,240,578</u>	<u>\$ 9,216,328</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 4,048,753	\$ 3,905,436	\$ 3,440,590	\$ 3,262,595
Special instruction	1,524,596	1,230,177	1,288,502	1,208,588
Other instruction	710,357	619,969	580,686	584,161
Support services:				
Student services	361,748	322,579	314,170	329,930
Instructional staff services	411,663	318,586	483,938	457,857
Administration services	954,351	1,053,681	1,045,556	921,232
Operation and maintenance of plant services	784,602	633,099	530,985	644,372
Transportation services	359,090	242,787	270,344	267,677
Other expenditures:				
Facilities acquisition	739,320	1,909,027	528,882	175,100
Long-term debt:				
Principal	410,000	265,000	240,000	225,000
Interest and fiscal charges	30,309	86,542	90,830	101,163
AEA flowthrough	380,453	373,920	365,230	367,400
Total expenditures	<u>\$ 10,715,242</u>	<u>\$ 10,960,803</u>	<u>\$ 9,179,713</u>	<u>\$ 8,545,075</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Carlisle Community School District:

We have audited the financial statements of Carlisle Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 11, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carlisle Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Carlisle Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carlisle Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Carlisle Community School District and other parties to whom Carlisle Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carlisle Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 11, 2004

CARLISLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- I-A-04 Financial Condition – The Capital Projects Fund had a deficit fund balance of \$298,566 at June 30, 2004. In addition, the Special Revenue Fund, Activity Fund had several accounts with deficit balances at June 30, 2004.

Recommendation – The District should investigate alternatives to eliminate these deficit balances.

Response – The Capital Projects Fund deficits are caused by timing differences between construction projects and the related revenues. We will investigate alternatives to eliminate all deficits within the next fiscal year.

Conclusion – Response accepted.

- I-B-04 Unsupported Disbursements – We noted three disbursements made by the District without proper or full supporting invoices, receipts, and other substantiating documentation.

Recommendation – The procedure described in the above comment weakens the control that the Board has over disbursements since not all of the supporting documentation was available for the Board to examine and support their authorization for payment. All future disbursements should be properly and fully supported by the proper documentation.

Response – We will review and implement this recommendation. We will maintain the proper support for all future disbursements.

Conclusion – Response accepted.

- I-C-04 Improper Fund Disbursement – We noted one disbursement made from the General Fund for supplies for cocurricular activities. These supplies would more properly be paid for out of the Special Revenue, Student Activity Fund.

Recommendation – The District should record expenditures in the proper Fund in the future.

Response – This was an oversight for this disbursement. We will properly account for expenditures in the correct Funds in the future.

Conclusion – Response accepted.

CARLISLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amount budgeted in any of the four functional areas.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Wayne Fleishman, Assistant Superintendent	Cabinets	\$ 8,350

The transactions with Assistant Superintendent Fleishman do not appear to represent a conflict of interest as all projects were competitively bid as provided by Chapter 279.7A of the Code of Iowa.

- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

CARLISLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

II-K-04 School Nutrition Fund – The District does not have general ledger accounts established to independently track student lunch, student breakfast, student milk, and adult meal sales.

Recommendation – The District should establish accounts for all school nutrition revenue types as noted above to allow proper meal reporting as required by the State Food Authority for local school Districts. This procedure would also enable the District to more accurately monitor school nutrition revenues and protect the underlying asset.

Response – We will investigate ways to establish the required accounts and incorporate these accounts into our software system.

Conclusion – Response accepted.

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